

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

Audit Report

HABITUAL TRUANT PROGRAM

Chapter 1184, Statutes of 1975,
and Chapter 1023, Statutes of 1994

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

July 2006



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California State Controller

July 14, 2006

Arturo Delgado, Ed.D., Superintendent
San Bernardino City Unified School District
777 North "F" Street
San Bernardino, CA 92410

Dear Dr. Delgado:

The State Controller's Office audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Habitual Truant Program (Chapter 1184, Statutes of 1975, and Chapter 1023, Statutes of 1994) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$880,881 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district claimed unsupported costs. The State paid the district \$526,956, which the district should return.

For unsupported time claimed, we advised the district that it could use a time study to track actual time by activity, student, and employee position, and apply the results to the audit period if it can support the number of activities occurring during the audit period and that the time spent during the time-study period is reflective of the time spent during the audit period. However, the district has not provided any additional documentation. We will revise the final report if the results of such work affect the finding.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Mohammad Z. Islam

Assistant Superintendent of Business Services
San Bernardino City Unified School District

Derek Harris

Accounting Supervisor
San Bernardino City Unified School District

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Habitual Truant Program (Chapter 1184 Statutes of 1975, and Chapter 1023, Statutes of 1994) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was January 9, 2006.

The district claimed \$880,881 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district claimed unsupported costs. The State paid the district \$526,956. The district should return the total amount to the State.

Background

Education Code Sections 12403, 48262, and 48264.5 was added by Chapter 1184, Statutes of 1975; Chapter 1010, Statutes of 1976; and Chapter 1023, Statutes of 1994. The law defines "habitual truant" and states that no pupil shall be deemed as a habitual truant unless school districts make a "conscientious effort" to hold at least one conference with the pupil's parent or guardian and the pupil. It also requires school districts to classify a pupil as a habitual truant as defined in *Education Code* Section 48262 upon the pupil's fourth truancy within the same school year.

On September 25, 1997, the Commission on State Mandates (COSM) determined the above legislation imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on January 29, 1998. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Habitual Truant Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For unsupported time claimed, we advised the district that it could use a time study to track actual time by activity, student, and employee position, and apply the results to the audit period if it can support the number of activities occurring during the audit period and that the time spent during the time-study period is reflective of the time spent during the audit period. However, the district has not provided any additional documentation.

For the audit period, the San Bernardino City Unified School District claimed \$880,881 for costs of the Habitual Truant Program. Our audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$323,674. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount to the State.

For FY 2001-02, the State paid the district \$203,282. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount to the State.

For FY 2002-03, the our audit disclosed that all of the costs claimed are unallowable. The state made no payment to the district.

Views of Responsible Officials

We issued a draft audit report on April 26, 2006. We contacted Derek Harris, Accounting Supervisor, and Mohammad Z. Islam, Assistant Superintendent of Business Services, by telephone on June 13, 2006. Mr. Harris stated that the district declined to respond to the draft report.

Restricted Use

This report is solely for the information and use of the San Bernardino City Unified School District, the San Bernardino County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 301,801	\$ —	\$ (301,801)	Finding 1
Materials and supplies	2,204	—	(2,204)	Finding 2
Total direct costs	304,005	—	(304,005)	
Indirect costs	19,669	—	(19,669)	Findings 1, 2
Total program costs	<u>\$ 323,674</u>	—	<u>\$ (323,674)</u>	
Amount paid by the State		(323,674)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (323,674)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 387,238	\$ —	\$ (387,238)	Finding 1
Materials and supplies	578	—	(578)	Finding 2
Total direct costs	387,816	—	(387,816)	
Indirect costs	21,874	—	(21,874)	Findings 1, 2
Total program costs	<u>\$ 409,690</u>	—	<u>\$ (409,690)</u>	
Amount paid by the State		(203,282)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (203,282)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 140,533	\$ —	\$ (140,533)	Finding 1
Materials and supplies	—	—	—	
Total direct costs	140,533	—	(140,533)	
Indirect costs	6,984	—	(6,984)	Finding 1
Total program costs	<u>\$ 147,517</u>	—	<u>\$ (147,517)</u>	
Amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Salaries and benefits	\$ 829,572	\$ —	\$ (829,572)	
Materials and supplies	2,782	—	(2,782)	
Total direct costs	832,354	—	(832,354)	
Indirect costs	48,527	—	(48,527)	
Total program costs	<u>\$ 880,881</u>	—	<u>\$ (880,881)</u>	
Amount paid by the State		(526,956)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (526,956)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unsupported salaries and benefits

The district claimed unallowable costs totaling \$829,572 for salaries and benefits during the audit period. The related indirect costs, based on claimed indirect cost rates, total \$244,954. The district filed its claims based on information provided by its consultant. However, the district did not provide adequate records to support claimed costs.

The audit adjustment is summarized as follows.

	Fiscal Year			
	2000-01	2001-02	2002-03	Total
Salaries and benefits	\$ 301,801	\$ 387,238	\$ 140,533	\$ 829,572
Related indirect costs	19,527	218,442	6,985	244,954
Audit adjustment	<u>\$ 321,328</u>	<u>\$ 605,680</u>	<u>\$ 147,518</u>	<u>\$ 1,074,526</u>

The Habitual Truant mandate provides reimbursement of costs incurred for:

- Reviewing district records to verify that a pupil has been truant at least four times during the same school year;
- Making a conscientious effort to schedule a conference with a pupil's parent or guardian, the pupil, and an appropriate school district employee;
- Scheduling and holding a conference if a parent or guardian agrees to confer; and
- Reclassifying the pupil as a habitual truant after the district has made a conscientious effort to schedule a conference.

During audit fieldwork, our discussions with school site staff revealed that the district's staff lacked a clear understanding of the mandate program. The documentation district staff provided was incomplete and the time documented was often commingled with time spent on the Notification of Truancy mandate program. Accordingly, the district acknowledged that adequate records to substantiate actual costs incurred were unavailable.

We concluded audit fieldwork and held an exit conference on May 13, 2005. During the exit meeting, the district requested approval to conduct a time study to more accurately reflect the extent to which it performs mandated functions. The district believed that the time study results would show how it incurred costs for the four reimbursable components, and that the time study would support time increments and unit costs in order to calculate total costs incurred to implement the mandate. The district stated, and we agreed, that November 2005 would be a representative month on which to conduct the time study. The district prepared a time study plan in October 2005. We reviewed the time study plan and recommended that the district update its plan to specify mandate-related sub-activities for each component, specify time increments for each component, and identify how the district would project the time study results to the population.

The district requested additional time to implement our recommendations and advised us that time study records would be available for review in December 2005. We contacted the district in January 2006 to conduct fieldwork on the completed time study. The district advised us that it requested 150 district staff to participate in the time study. However, only 30 staff submitted their time-study documentation. The district agreed that the time study was incomplete and could not be used to support claimed costs. Therefore, all costs claimed during the audit period are unsupported and unallowable.

Parameters and Guidelines specifies that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

Recommendation

We recommend that the district ensure that all costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate source documents. If the district completes a valid time study, we will review the time study results and modify the audit finding as applicable.

FINDING 2— Unsupported materials and supplies costs

The district claimed \$2,782 for unallowable materials and supplies costs. The related indirect costs, based on claimed indirect cost rates, total \$174. The district did not provide documentation to support claimed costs.

The audit adjustment is summarized as follows.

	Fiscal Year		Total
	1999-2000	2000-01	
Materials and supplies	\$ 2,204	\$ 578	\$ 2,782
Related indirect costs	142	32	174
Audit adjustment	<u>\$ 2,346</u>	<u>\$ 610</u>	<u>\$ 2,956</u>

Parameters and Guidelines specifies that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

Recommendation

We recommend that the district ensure that all costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate source documents.

**State Controller's Office
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